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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1979

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**No. 79-1175**

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WM. T. BURNETT & COMPANY, INC., *Petitioner,*

v.

THE GENERAL TIRE & RUBBER COMPANY, *Respondent.*

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**On Petition for a Writ of Certiorari to the United States Court of Appeals for the Fourth Circuit**

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## PETITIONER'S REPLY TO RESPONDENT'S BRIEF

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ALFRED W. BREINER
727 - 23rd Street, South
Arlington, Virginia 22202
Telephone (703) 684-6885
*Attorney for Petitioner*

*Of Counsel:*

ROBERT C. PREM
PATRICK J. B. DONNELLY
929 N. Howard Street
Baltimore, Maryland 21201

THEODORE A. BREINER
727 - 23rd Street, South
Arlington, Virginia 22202

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### OVERVIEW OF RESPONDENT'S ASSERTIONS

(A) IS THE FOURTH CIRCUIT COURT OF APPEALS' HOLDING THAT A PARTY CAN PRACTICE FRAUD ON A JUDICIAL TRIBUNAL, OBTAIN A FAVORABLE JUDGMENT, AND THEN ASSERT *Res Judicata* TO SUSTAIN THE FRAUD PRACTICED ON THE TRIBUNAL, IN ERROR?

and

(B) IS THE FOURTH CIRCUIT COURT OF APPEALS' HOLDING THAT A JUDGMENT IS FINAL AND *Res Judicata* EVEN IF OBTAINED BY FRAUD ON THE COURT CONTRARY TO AND IN CONFLICT WITH SUPREME COURT DECISIONS?

Questions (A) and (B) are the fundamental questions presented by this Petition and both questions are ignored in Respondent's Brief. Rather than meeting these fundamental questions, Respondent confuses the issues by asserting that the decision below and the record herein do not raise the questions presented. Respondent (General) in alleged support of this view asserts that Petitioner (Burnett) was not entitled to a patent; that General's fraud was wholly unrelated to Burnett's right to obtain a patent, and that General's fraud was in a different and unrelated proceeding. General's assertions are totally erroneous.

The decision of the Fourth Circuit Court of Appeals *squarely* supports the questions presented. The decision establishes that Burnett discovered in the summer of 1955 the advantages of using liquid blowing agents in the manufacture of polyurethane foam, the Burnett invention, and that General did not make the same discovery until some time in 1958. The decision establishes that General's fraud included the non-disclosure and misrepresentation of the advantages of using the liquid blowing agents, the Burnett invention, and that Burnett attributed its loss of priority to that invention to General's fraud. These facts set out in the decision of the Court of Appeals establish that the sole basis for the dismissal below of Burnett's complaint under Rule 12(b)(6) of the Federal Rules of Civil Procedure was *res judicata* of the Patent Office judgment obtained through or influenced by General's fraud—fraud unknown at the time to both Burnett and the Patent and Trademark Office (PTO).

The alleged mischaracterizations of the decision below, as Petitioner will establish on review of the record, are asserted by General to permit it to continue



to benefit from the fruits of its fraud before an administrative agency and preclude an accounting to Burnett for damages caused by General's fraudulent acts before both that agency and Burnett based solely on *res judicata,* as the decision below permits. If this decision of the lower court is allowed to stand, *res judicata* will become a vehicle to reward; and indeed promote fraud before an administrative agency.

## THE DECISION BELOW

The decision of the Fourth Circuit Court of Appeals establishes—

—The nature of Petitioner's complaint and disposition thereof as follows:

> "This litigation . . . arose in an action for damages . . . by William T. Burnett & Company, Inc. . . . against The General Tire & Rubber Company . . . *predicated on charges that the plaintiff was deprived of the benefits of a United States patent and the opportunity to procure it by the alleged fraud of General upon the Patent Office.* On defendant's [Respondent's] motion *under Fed. R. Civ. P. 12(b)(6),* the District Court dismissed the amended complaint for failure to state a claim upon which relief could be granted." (Emphasis added) [Pet.App. 18a]

—The fundamental difference between the General invention and the Burnett invention as follows:

> ". . . General sought a patent on an invention of Charles Frost, its employee. The Frost technology involved *the utilization of gases as blowing agents* in the manufacture of polyester and polyether polyurethane foams.
>
> * * *

". . . Burnett filed its application . . . in the name of Ernst Klesper, one of its chemists, for a patent on a similar process *using liquids, instead of gases,* to create the foam." (Emphasis added) [Pet.App. 19a]

—The nature of General's prosecution as follows:

"The Patent and Trademark Office (PTO) rejected the application [General's first application], finding that all of the Frost claims had been anticipated in prior references . . . .

"After four rejections, General filed two continuation-in-part (CIP) applications, both on April 1, 1959. On one . . . a patent for poly*ether* foam . . . was issued to General on January 8, 1963 . . . . On the other . . . a patent for poly*ester* polyurethane foam . . . was issued to General as Patent No. 3,391,093, but not until July 2, 1968." (Original emphasis) [Pet.App. 19a]

—The nature of the fraud of General as found in a case styled *In re Multidistrict Litigation Involving Frost Patent,* 398 F.Supp. 1353 (D.Del. 1975), aff'd in part and rev'd in part 540 F.2d 601 (3rd Cir. 1976), as follows:

"[The polyether] patent was held invalid because General had procured it through fraudulent means.

* * *

"[General's fraud] consisted of making false statements capable of influencing the patent examiner with respect to General's right to the patents; *and, furthermore, the fraud was charged as including the non-disclosure of the advantages of using high-boiling point liquids as blowing agents* in the manufacture of polyurethane foam, *something it had discovered in 1958* during its experiments to establish the patents it was seeking, based on the use of gases." (Emphasis added) [Pet.App. 19a-20a]



—Burnett's posture and contentions before the PTO were stated by the Fourth Circuit Court of Appeals as follows:

"In December 1962, six of Klesper's claims were allowed by the PTO. The Office then declared Interference No. 93,228 between the Burnett/Klesper application . . . and [the] General/Frost . . . application . . . .

* * *

"The claim made by Klesper in the Interference . . . was for a patent upon the manufacture of polyESTER foam by the *use of high-boiling point liquids as the blowing agent instead of by the gaseous low-boiling point process in the application of General* . . . . Burnett ascribes the award of priority to General to the alleged fraud committed by General during the prosecution of General's applications . . . ." (Original emphasis, capital letters; Emphasis added, italicized [Pet. App. 20a-21a]

Accordingly, the holding of the court below that—

"Resolution of this controversy rests upon the determination by Burnett not to pursue its various contentions in a suit to review the decision in the Interference . . . ." [Pet.App. 21a]

and that

"res judicata squarely bar Burnett's demands for damages" [Pet.App. 21a]

*irrespective of General's fraud* squarely presents the fundamental questions raised in this Petition.

## THE ERRONEOUS ALLEGATIONS OF RESPONDENT

### General's Counter-Statement Of The Case

Respondent in its counter-statement of the case asserts that Burnett was not entitled to a patent—

> "because Burnett did not satisfy the statutory requirement of 35 U.S.C. § 102(g) that its employee was the first to make the invention." [Respondent's Brief, p.3]

This statement is contrary to the findings of the court below

—that the Frost invention "involved the utilization of gases as blowing agents" [Pet.App. 19a];

—that the Burnett invention made "[I]n the summer of 1955" involved "injecting a high-boiling point liquid to make the foam" [Pet.App. 20a]; and

—that the General fraud included "the nondisclosure of the advantages of using high-boiling point liquids as blowing agents in the manufacture of polyurethane foam, *something it had discovered in 1958* during its experiments to establish the patents it was seeking, based on the use of gases." (Emphasis added) [Pet.App. 20a]

Burnett, as the court below perceived, asserts that the fraud of General in not disclosing and misrepresenting pertinent information to the PTO influenced the PTO's decision in the Interference, and this Burnett asserts was the direct cause of Burnett's loss of valuable patent rights.

The counter-statements of fact by General are not the findings accepted by the court below and are contrary to reality.



### Respondent's Argument, Point I

Respondent at Point I of its argument asserts that—

> ". . . it is clear that if Burnett was never entitled to any patent rights, it cannot prevail in an action for loss of such rights. Thus, the key question before the District Court and the Court of Appeals was whether Burnett was entitled to a patent on the Klesper invention in the first instance."

This assertion of the issue by General deletes the significant question presented to the Court by Burnett, i.e., whether the fraudulent conduct practiced by General on the PTO and Burnett precluded Burnett from obtaining a patent. Burnett's contention of fraud by General on the PTO and Burnett is what the Fourth Circuit Court of Appeals held that Burnett was precluded from asserting based solely on the doctrine of *res judicata,* even though the issue of fraud was not before the PTO as the fraud of General was unknown to both Burnett and the PTO.

The issue presented is one of fact, and in making this determination in a motion to dismiss under Rule 12(b)(6) of the Federal Rules of Civil Procedure for failure to state a claim upon which relief could be granted, *all contestable issues of fact must be decided in favor of the plaintiff*. Based on the findings of the court as set forth hereinbefore, it is clearly an issue of fact whether Burnett would have been entitled to a patent on its invention if General had not withheld material information and had not made false representations to the PTO and Burnett. General, at Point I of its argument, therefore, is asserting, as facts, what are disputed issues which must be decided on a Rule 12(b)(6) motion in favor of Burnett.

Burnett must not be denied a determination at trial of the fundamental question of the effect of General's fraud on its loss of patent rights through an application of *res judicata,* despite General's fraud in procuring the initial judgment, as found by the Fourth Circuit Court of Appeals. To do so would reward General's fraud and encourage fraud by others.

**Respondent's Argument, Point II**

Respondent at Point II of its argument asserts that the fraud of General could not have affected Burnett's opportunity to obtain a patent. General again asserts as facts matters which are clearly controverted and contrary to accepted facts in the decision of the Fourth Circuit Court of Appeals. The decision of the court below establishes that Burnett asserts and the court found for purposes of its decision,

> —that the inventions of General (directed to gaseous blowing agents) and Burnett (directed to liquid blowing agents) were different;
>
> —that Burnett made its invention in the summer of 1955 and filed an application for patent therefor in 1956;
>
> —that although General made its invention as to *gaseous* blowing agents in 1955, it did not discover the advantages of using high-boiling point liquids until 1958 when it was attempting to establish the invention of its gaseous blowing agents over the prior art;
>
> —that Burnett asserted the difference in invention before the PTO Board of Interferences;



> —that General, although having full knowledge of the fact that the high-boiling point liquids were advantageous as it discovered in 1958, *failed to make* a disclosure of this fact to the PTO and Burnett, but rather *lied* in saying that the gases were superior to the liquids, being aware all the while of the criticality of this information to the Burnett cause; and
>
> *—that Burnett asserts that this fraud is what caused the PTO to disallow its once-allowed claims.*

Based on these facts, Burnett is entitled to a determination of the issues. The Court of Appeals barred Burnett from its day in court by holding that the PTO decision even if *obtained by fraud* was *res judicata* against Burnett from now contesting this issue, thereby *rewarding* General for its fraud.

Respondent seems to assert that because a different proceedings, i.e., infringement litigation not involving Burnett; brought out General's fraudulent conduct, that this bars or precludes Burnett's claim. Petitioner notes the decision of Judge Wright in *Phillips Petroleum Company* v. *Montedison, S.p.A. et al,* Consolidated Civil Action No. 4319, United States District Court for the District of Delaware, decided January 11, 1980, as yet unpublished, where the court found that fraud had been committed by Montedison on Phillips. As the court stated—

> "Many of the fraud claims against Montedison *are based on events that took place during Montedison's prosecution of its application for a sep-*

*arate patent.*" (Emphasis added) [Decision, p. 151]

and that—

> "Evidence of Montedison's prior document and sample submissions to the Examiners came to light *during discovery in the infringement litigation* [involving the separate patent], *and it is this evidence which supports certain fraud claims presently at issue.*" (Emphasis added) [Decision, p.153]

The decision of the District Court stands for the proposition that fraud committed in one patent proceeding can be the basis of establishing fraud in another and separate patent matter.

## CONCLUSION

The questions presented in Petitioner's Petition are squarely based on the decision and record below. The Court of Appeals found that Burnett's failure to appeal an earlier judgment in favor of General was *res judicata* even though the judgment favorable to General was obtained through General's fraud, unknown at the time to either Burnett or the PTO. It is respectfully submitted that the Supreme Court should grant certiorari because of the importance of the fraud versus *res judicata* questions presented for the proper administration of the Patent Laws and all judicial proceedings before an administrative agency. To deny this Petition would be to encourage fraud before an administrative agency in that a party will be able to commit fraud to obtain a favorable judgment and then, if later discovered, hide behind *res judicata* to sustain the fruits of that fraud.



It is respectfully requested, therefore, that the Petition for certiorari be granted.

Respectfully submitted,

ALFRED W. BREINER
727 - 23rd Street, South
Arlington, Virginia 22202
Telephone (703) 684-6885
*Attorney for Petitioner*

*Of Counsel:*

ROBERT C. PREM
PATRICK J. B. DONNELLY
929 N. Howard Street
Baltimore, Maryland 21201

THEODORE A. BREINER
727 - 23rd Street, South
Arlington, Virginia 22202

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